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Conference Date

July, 07-09 2018

Location

Fukuoka University, Japan
8-19-1 Nanakuma, Jonan-ku, Fukuoka 814-0180, Japan

What Is Green? A Case on Selected Companies

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Abstract

More companies are going green. They believe that greening the business is their responsibility and is simply the right thing to do. It benefits not only the company but also consumers. Since the substance of the green business concept is rather ambiguous, it is difficult to evaluate whether a green claim is correct and is not a greenwash. The study tries to find out the understanding of companies conducting green practices on green business. It aims specifically to explore to what extent they know about green business and whether their practices are accordingly green. It is a case study on three Indonesian companies identified as conducting green practices. Interview to either the owner-manager or the representative of the companies was for gathering data. The study shows that understanding on green business still varies and reasons underlying their green practices are common. The motivation for being green is not to harm the environment. In the beginning, they did not realize if what they have done are green practices. Knowledge of being green can be the motivation for being green. Dissemination of the laws is thus important.

Keywords: green business, green practice, green claim, green product, Indonesia

WHAT IS GREEN?

A CASE ON SELECTED COMPANIES

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ABSTRACT

More companies are going green. They believe that greening the business is their responsibility and is simply the right thing to do. It benefits not only the company but also consumers. Since the substance of the green business concept is rather ambiguous, it is difficult to evaluate whether a green claim is correct and is not a greenwash. The study tries to find out the understanding of companies conducting green practices on green business. It aims specifically to explore to what extent they know about green business and whether their practices are accordingly green. It is a case study on three Indonesian companies identified as conducting green practices. Interview to either the owner-manager or the representative of the companies was for gathering data. The study shows that understanding on green business still varies and reasons underlying their green practices are commitment of not to harm the environment. In the beginning, they did not realize if what they have done are green practices. Know the benefits of being green can be the motivation for being green. Disseminate the laws is thus important.

Keywords: *green business, green practice, green claim, green product, Indonesia*

INTRODUCTION

The most important challenge in the recent century is the deterioration of natural environment due to overconsumption [CITATION Fel16 \l 1057]. Not only developed economies but also emerging ones are pressured to find ways to reduce or reverse the negative effects of overconsumption by promoting pro-environmental behavior for both consumers and businesses. Green consumers are increasing [CITATION Ott14 \l 1057] and so are green business [CITATION Cek14 \l 1057]. However, green business practices are still far from being universally embraced and applied by business entities around the world [CITATION Cek14 \l 1057].

In Indonesia, green business practices are also still limited even though the government has been continuously revising policies and regulations in environmental protection and management. Yet there are only few companies conducting green business practices. As one of the most populous countries in the world, it is important for Indonesia to promote pro-environmental behavior for businesses in order to protect further deterioration of natural environment and to contribute on reducing global warming.

This study is intended to describe understanding of green business on companies identified as practicing green business. This can be an indicator for the level of understanding in green business. It is presumable that if those conducting green business practices have low understanding in green business, then those do not may know very few or know nothing about green business. Promoting pro-environmental behavior will need bigger efforts. The study aims at identifying the company's knowledge on green business and to what extent the green practices have been applied in the company, i.e. whether the understanding on green business directs them to do particular practices. By knowing this relevance, better understanding on what motivates company on greening the business can help Indonesia authorities to find ways in promoting broader application of green business to industries.

GREEN BUSINESS AND GREEN PRACTICES

The substance of the green business concept is rather ambiguous [CITATION Cek14 \l 1057]. It is often perceived explicitly or implicitly as being synonymous with the notion of "sustainable business." As Koester (2010) stated, green business is in general just like any other businesses in which they must create sufficient profits to continue to operate. What differentiates green business from others is their concern on sustainability. Green business weighs the value of sustainability and human capital. In this sense, green business

must function in a capacity where no negative impact is made on the local or global environment, the community, or the economy [CITATION Cek14 \l 1057].

Accordingly a green business is characterized by the following actions [CITATION Fri09 \l 1057]: it does actions to reduce negative environmental impacts, complies with environmental regulations, and has good environmental management systems. It has either ISO 14001 or “green” certified, publishes a Corporate Social Responsibility and thus enriches the world in which it operates. Furthermore, it has an efficient green marketing campaign and can sustain its operations into the future indefinitely.

Applying green business is a choice. It is voluntary actions by a company that seeks to achieve better environmental performance [CITATION Hir11 \l 1057]. Nevertheless more companies believe that it is the right thing to do and is their responsibility to green the business (Hendry & Vesilind, 2005; Hirsch, 2011; Jone, 2014). Green business practices that maintain and sustain good environmental quality can simultaneously make the company more competitive [CITATION Hir11 \l 1057] and improves corporate image [CITATION Jon14 \l 1057]. According to Hendry and Vesilind (2005), the competitiveness is resulted from the increased operating efficiencies. They also found that the primary reason for greening the business is regulations such as the control of air emissions and pre-treatment of wastewater. Many companies recognize benefits by altering their production process to generate less waste.

Similar to green practices, green claims are also perceived as important for company’s success. It can be used to lure consumers. However the potential to confuse consumers with misleading green claims is high since green issues are considered as highly technical, complex and fast moving [CITATION Ott14 \l 1057]. The company should avoid unsubstantiated claims because unclear claims can lead the company to be perceived as a green-washer [CITATION Ott14 \l 1057]. Otherwise disillusioned customers shift their purchases to more trustworthy competitors and this can seriously damage the company's credibility.

METHODS

This paper is based on study of three manufacturing companies located in Semarang, Indonesia that are identified as green business according to Friend (2009): do actions to reduce negative environmental impacts, comply with environmental regulations, have good environmental management systems, and have “green” certified. The companies are selected if they have at least one characteristic. The selected companies are SM producing traditional herbal drinks (Indonesian: *jamu*) that clinically and scientifically can be treated as medicine

produced by a pharmaceutical company; CV producing spa products developed from the concept of Javanese and Balinese traditional spa, spa accessories, *jamu*, natural drinks, and food supplements; and BS producing natural color batik with unique patterns identifying the specifics of the city and batik class.

The analysis relies on secondary data on green actions and characteristics of the selected companies and in-depth interview to the owner or the manager to get the information about understanding on green business, green initiatives, and green practices. The interviews took about an hour, were tape-recorded, and then were transcribed. Understanding and practices in each selected company are comparatively described to know similarities and differentiations among them that can give general frame on the condition.

RESULTS

The profiles of the three companies vary in terms of length in business, size, type of ownership, products, market coverage, and characteristics indicating as green business.

Understanding on Green Business

For SM, green business relates to concern of a company to the environment. Having such concern indicates that the company is a green business and SM is highly concerned to the environment. The owners' value of not to harm the environment is always emphasized to the management and all staff. They stated that things that have been taken from the mother earth must be returned to it. Kehati award received in 2001 from the Ministry of Environment indicates that the company has concern to the heart on the environment.

SM differentiates understanding of green business from green proper. Green proper as regulated in the law no.32/2009 about Guidance on Developing Green Industry Standard relates to the compliance to the law. There are four level of compliance: black, red, blue, and green respectively from the least to the highest compliance. Currently, SM is granted by the Ministry of Environment proper "green" indicating that the company highly complies with the law.

Experience of being in proper "black" improved their understanding on green business and proper. SM was granted proper "black" indicating incompliance with the law. This was a big shock for the management and the owners since they thoughtfully had been doing good things for the environment in accordance to their value. They responded to it aggressively and committed to leave the proper black as quickly as possible. The management was encouraged to understand the law better and know obligations to comply with it. They evaluated everything, hired consultants, and invested billions of rupiahs in

building more sophisticated waste management facilities. The efforts were finally paid off by receiving the proper green.

After knowing the law, they realized that many things they had been doing so far are actually complied with the law. Proper black was granted because they did not report to the Department of Environment about their green activities.

CV has different definition of green business. It relates green business to green product, i.e. a company producing green product is green business. The understanding on green product was developed through the owner-manager's participation in APO (Asian Productivity Organization) from which she finally knew that the company's products can be classified as green product.

Green product is a product that is produced using natural ingredients. Since her products use original and natural Indonesia herbs, they are thus green product. She confidently claimed that her business is thus green business. Her green claim is based on some reasons: the product does not use chemical; herbs (ingredients) are bought from farmers who do not use fertilizer for planting and are reap only in their best time; no plastic wastes; and no hazardous wastes.

Similar to CV, BS relates the understanding on green business with green product. Confirmed whether their batik is green product, the manager of BS stated this: "... the staff of the Department of Environment who already inspected our company several times told us that some of our products can be considered as green product..." In her knowledge, green product is identical with ecolabel product - a product that uses natural ingredients and is free of chemical – since the Department of Environment certifies a green product with ecolabel. This is the reason of the company to apply for ecolabel. They see benefits from having ecolabel. Green claim resulted from ecolabelling can attract especially foreign customers whose awareness on green product is high.

Green Practices

High concern to the environment makes SM commits to green practices. The management always makes sure everything they dispose is safe for the environment. They manage the wastes and reproduce the wastes into eco-friendly disposals or useful products. They transforms their hard wastes into fertilizer and fuel used in their machines, single waste of ginger into aetheric oil (essential oil), liquid wastes into clear water, and are researching on making domestic waste into drinkable water. SM has been developing their waste management system and facilities by investing on machines accordingly. Besides the commitment, SM also does these in order to maintain their proper green.

SM distributed free paper bags to the shoppers in malls to support the government regulation in limiting the use of plastic bag. They contributed in finding way to transform *enceng gondok* (water hyacinth) that has created problems in several areas in the municipality because of its fast growing into fuel. They cultivate farmers by teaching them how to plant and harvest correctly and buy their harvests.

CV and BS do not do as many green practices as SM. Even though CV believes that their wastes do not bring any harm to the environment, the company still applies waste management facility to comply with the regulation. Similar to SM, CV also cultivates farmers from whom the company buys herbs. The farmers are taught how to plant well without using fertilizer so the plants are green processed. As a result, they were granted certificate of *eco-friendly product* from Hazard Analysis Critical Control Point (HACCP) indicating that their products are natural and safe.

Even though natural color is the concern, BS does not fully produce natural color batik. It also produces regular batik using chemical color. The considerations are to respond to customers' demand on regular batik and the fact that natural color batik is still a niche market due to low awareness of Indonesians on green product. BS wants to educate the community about green product by keep producing natural color batik.

BS also realized that they may not be able to produce totally green product since they still highly depend on textile companies from which they buy '*mori*' - plain white clothes used to produce batik. The *mori* may not green product since those with ecolabel are still limited in number. BS however prioritizes buying *mori* from those having ecolabel on their clothes.

The BS manager admitted that the company produces wastes even though they use natural colors. They install wastewater treatment plant (WWTP) or IPAL (Indonesian: *instalasi pengolahan air limbah*) and have been developing this treatment from a very simple system at the beginning (by distilling the wastes) to a research-based system. They are currently testing the possibility to transform the wastewater into fertilizer and are on the stage of testing the safety of wastewater for plants. It has been recognized that the waste is safe for plants.

Besides the waste treatment system, BS also tries to recycle wax used in making batik. Among others, wax is the ingredient that can be recycled continuously. Used wax is processed into reusable wax.

DISCUSSION AND CONCLUSION

The green initiative held by each selected company such as not to harm the environment and to use only natural ingredients leads their actions accordingly without knowing that the actions are green practices. They did actions that reduce negative environmental impacts by for example installing wastewater treatment plant even though they install it to comply with environmental regulations. Their compliances result in green certification awarded to them, such as proper green, eco-friendly product and ecolabel. Since the companies have the characteristics of green business outlined by Friend (2009), they can thus be classified as green business.

However their understanding on green business still varies in which green business is defined broadly and specifically. As defined broadly by SM, green business is a concern to the environment. In a more specific one, CV and BS relates it to green product or ecolabel product. This varied definition confirms Cekanavicius, Bazyte, and Dicmonaite (2014) who stated that the green business concept is rather ambiguous.

Here, the ambiguity is possibly originated in the limited knowledge the companies has about green business. For example, BS knew it in terms of green product and ecolabel so that their understanding on green business relates to green product and ecolabel product. Even SM seemingly differentiates their understanding on green business from that on proper. Green business is likely stimulated by internal motivation, i.e. concern, while proper is stimulated by external trigger, i.e. the law. Those who do not have concern on the environment but do try to comply with the law or regulation are proper, not green business, and vice versa. However none of the companies relate their understanding to sustainability.

The green practices are also varied ranging from simple thing such as installing waste treatment plant in the company to involving in solving community problems such as innovating water hyacinth into useful thing. Referring to Hendry and Vesilind (2005) who stated that the primary reason for greening the business is regulations, the actions of the studied companies are not solely focus on compliance to the regulation but also concern on sustainability of the business.

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